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PFP position on CAP towards 2020

Introduction

PFP represents the European primary food processing industries towards the European Union and International Organisations.

PFP members provide the link between agricultural raw materials and final products (secondary processors in the food, feed and non-food sectors). They process more than 220 million tonnes of agricultural raw commodities a year (cereals, sugar beet, rapeseeds, soybeans, sunflower seeds, cocoa beans, crude vegetable oil, starch potatoes...) and employ over 120,000 people in Europe. Beside food and feed, several PFP members increasingly produce bio-based products and ingredients for pharmaceuticals, detergents, plastics, lubricants, fuels, paintings, cosmetics and other industrial products.

PFP members are the link between agricultural raw materials and final products. As a vital partner in the food chain, we deliver efficiently produced, high quality and safe food and feed for our customers and European consumers. The quality and safety of both agricultural raw materials and end products is of paramount importance to our industries.

PFP and the Common Agricultural Policy (CAP) Reform

PFP recognises that the overall direction of the CAP reform is to continue to improve of European farmers' efficiency and competitiveness, while ensuring stable and adequate food supplies for European consumers. Primary food processors are significant users of the EU's agricultural raw materials and therefore the CAP is of critical importance to our industry¹.

Given the intrinsic links between farmers and the first processing industries, the CAP post-2013 should aim to:

1. Improve the productivity and efficiency of the EU agriculture and agri-food sector, in order to ensure security of supply while avoiding extreme price volatility.
2. Support the development of an EU bio-based economy.

¹ PFP already contributed see to the Commission consultations. For all PFP positions see www.pfp.org

1. Productivity to the benefit of industries, farmers and consumers while avoiding extreme price volatility

Today, as a result of climate change and the growing global population, food security and energy independence are high on the political agenda. Moreover, PFP members are increasingly affected by unpredictable weather conditions and global market disruptions. Price hikes of agricultural commodities and supply shocks have highlighted the importance of productivity and competitiveness.

Against this background, the future CAP needs to reflect these new challenges and priorities by helping secure access to an adequate supply of agricultural materials. PFP members believe that CAP's first pillar should remain the core structure of the CAP beyond 2013 as a way to ensure viable agricultural production. It should be properly funded.

Through substantial reforms in the agriculture policy, over time the level of EU self sufficiency for agriculture products has decreased considerably, leaving the EU more and more dependent on imports from a volatile world market.

To continue playing a vital role in the European economy, notably in rural areas, EU PFP members rely on access to adequate quantities of agricultural raw materials that correspond to specific quality criteria and are competitively priced. European farmers and agro-industries are subject to stringent environmental requirements. Moreover, PFP industries strive to supply sustainable products to the EU market, using European agricultural raw materials where possible.

The CAP beyond 2013 will therefore have a pivotal role in securing the supply for agricultural raw materials. PFP members believe that imposing the type of crops cultivated on arable land does not necessarily improve biodiversity. Moreover, it is likely to increase farming costs while lowering productivity.

In this respect, we consider that the challenge to ensure the availability of agricultural raw materials is not properly addressed in the proposals. The primary objective of the EU's agricultural policy should be to encourage the stable production of agricultural raw materials to contribute to European and global supply.

It is essential that:

- **Direct payments** are quantitatively sufficient and duly justified to promote resource efficiency for farmers with a view to smart, sustainable and inclusive growth for EU agriculture and rural areas in line with the Europe 2020 strategy.
- **Ecological focus areas** (compulsory percentage of farmland devoted to ecological aims) are not always consistent with the challenges of EU production. This proposal runs counter to enhancing productivity, because every farmer would have to stop producing on a certain percentage of its arable land. Such a system would be too rigid to fit the local agricultural realities and practices. PFP members request an accurate assessment of the impact ecological focus areas can have on EU production.

- **3-crop rotation obligation per farm** will not necessarily improve biodiversity, nor improve output and efficiency. However, it could lead to a potential increase in farming costs and be counter-productive in some sectors. It would reduce raw materials' availability for first-processing industries and could create market imbalances. Farmers should be free to choose what the best crops to grow or rotate are.
- **Innovation for increasing agricultural productivity** is indispensable and therefore should be supported by the CAP. Innovation and technology are key to meeting the challenges of food security, climate change and limited availability of resources.
- **Market instruments** to support a stable supply are essential in preventing crisis situations and providing remedy for temporary market imbalances. Those instruments should be predictable, transparent and available to all sectors. In any case, they should not focus on particular grains or grain quality (for instance intervention price for bread-making wheat).
- The Commission proposals strengthen **Producer Organisations (POs)**. POs should not disrupt the level playing field between Member States and operators within the same sector. Contracts are a normal part of commercial relationship and must be determined between the seller and purchaser. Guidance for contracts can be helpful but any obligatory form of contracting on prices should be avoided. The content and the conditions of contracts should be based on agreement between the parties.
- The new **safeguard clause** introduced for all sectors should be based on transparent and predictable procedures. The implementing criteria should reflect market realities and be adaptable to different circumstances, i.e. in cases of extremely high or low prices. It is fundamental that the procedures allow for a quick response, either triggering or stopping the emergency measures.

2. The CAP as a tool to promote the emergence of a bio-based economy in support of the EU's food chain and rural development.

PFP members are often bound to rural areas and their positive impact (increased demand for jobs and ancillary services, driving upgrades in infrastructures, etc.) is therefore felt particularly strongly in those areas. PFP industries are at the heart of the emerging bio-based economy, (understood as a variety of products, processes and materials from biological sources), reducing dependency on petrochemicals and helping the EU to become a low-carbon economy.

PFP members welcome the inclusion of the bio-economy among the proposed priorities for EU rural development (Article 5(5) of the EC proposal on rural development).

The future CAP has a crucial role to play in the emergence of the EU's bio-based economy because it can:

- i. Promote economic development ('green growth');
- ii. Increase employment opportunities in rural areas;
- iii. Increase resource efficiency and mitigate climate change;
- iv. Mitigate the impacts for farmers of extreme agricultural market volatility and secure further sources of revenue to preserve EU's long term agricultural production capacities.



However, PFP members call for a more explicit and specific support to the emerging bio-based economy, with regard to the following aspects, in particular:

1. Support for the **valorisation of agricultural residues** into bio-based products is a crucial aspect for a resource-efficient bio-based economy². The current CAP proposal does not deal with this explicitly. Hence, when it refers to ‘investments in physical assets-infrastructure for the processing of agricultural raw materials, even if the output of those processes is not an agri-food product’ (art. 18), it only provides a vague possibility to use this provision, for example, to financially support farmers in order to collect those residues and to finance the construction of the necessary infrastructure to bring residues from the field to the bio-refineries. More explicit references to support the bio-based economy would provide more clarity but are absent from the articles of the Commission proposal.
2. PFP members welcome the possibility to provide **rural funds to non-agricultural activities** in rural areas (art. 20) as this could facilitate the creation of bio-economy clusters among primary processing factories/bio-refineries, farmers and other local stakeholders. However PFP regrets the fact that under the current proposal, micro and small-enterprises are the only possible recipients of funding, apart from farmers.
3. PFP requests specific funding support, in connection with the **European Innovation Partnership for Agriculture**, for projects involving research and development of innovative technologies and processing techniques in order to produce sustainable bio-based products based on agricultural raw materials.

The Primary Food Processors of the EU (PFP) is composed of:

European Starch Industry Association (AAF)
European Committee of Sugar Manufacturers (CEFS)
European Cocoa Association (ECA)
European Flour milling association (The European Flour Millers)
European Vegetable Protein Federation (EUVEPRO)
European Vegetable Oil and Proteinmeal Industry (FEDIOL)

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www.pfp-eu.org

² For example, according to a study by Bloomberg New Energy Finance (April 2011), 1.22 Billion tonnes of agricultural residues are available each year in the EU. If only a fraction of those residues (17.5% according to that study) were used in bio-refineries to produce sustainable bio-based products, this could generate 1 million jobs in the next decade, in particular in rural areas and therefore reduce EU emissions and dependence on fossils fuels.